

Stock Market

Chapter 20

Chapter 10: How to Read a Stock Table

If you check the *Wall Street Journal* or other newspapers for stock information, you will find information on a large number of stocks in several different markets. A sample of listings on the stock page from a *Wall Street Journal* is shown on the next page.

Once you are the proud owner of stocks, you will want to keep track of them. The easiest way to track your stock is through the daily newspapers or journals. First, you need to know under which exchange your stock is listed; i.e., NYSE, AMEX, or NASDAQ. Let's look at the tables column-by-column from left to right.

The first column, **YTD % CHG**, stands for **year-to-date percent of change**, which means that from a year ago to today, the stock price has changed by this percent.

The next two columns, **52 WEEK HI/LO**, give the stock's **high and low selling price peak** over the past year.

The next column, **STOCK (SYM)**, gives the name or an abbreviated version of the **stock's name** and the **stock symbol** used on the exchange.

The next column, **DIV**, is the **annual cash dividend** based upon the rate of the last quarterly dividend.

The next column, **YLD %**, provides the **yield percentages**, calculated by dividing the cash dividend by the closing price of the stock.

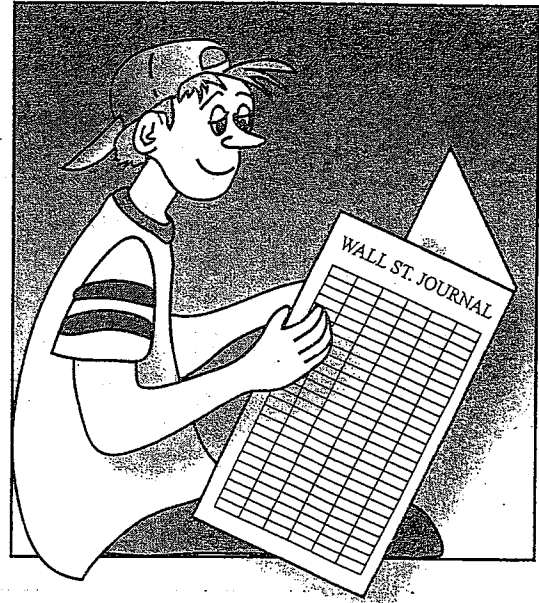
The next column, **PE**, is the **P/E ratio**; this figure gives the closing price divided by the annual earnings, based on the last four quarters.

The next column, **VOL 100s**, represents the **number of shares that were traded that day**, represented in hundreds. Thus, if the Vol 100s number is 1219, this means that 121,900 shares of this stock were traded.

The next column, **CLOSE**, represents the **price the stock closed that day**.

The last column, **NET CHG**, indicates the **point change** (either up or down) **from today's opening price**.

It is vitally important that investors familiarize themselves with the "How to Read This Table" section of the *Wall Street Journal*. This index is usually shown at the beginning of the NYSE Composite Transactions section. As you scan the stock tables, you will notice many symbols listed. All of the symbols are explained in the "How to Read this Table" section, and this valuable information should not be overlooked.



Chapter 10: How to Read a Stock Table (cont.)

Sample listings in the *Wall Street Journal*

THE WALL STREET JOURNAL.			FRIDAY, OCTOBER 4, 2002 c3							
NEW YORK STOCK EXCHANGE COMPOSITE TRANSACTIONS										
A										
YTD	52-WEEK		STOCK (SYM)	DIV	YLD	PE	VOL	CLOSE	NET	
%CHG	HI	LO			%		100s		CHG	
-47.7	14	4.15	AAR AIR	.10	2.1	dd	600	4.71	-0.20	
-11.6	19.75	12.63	ABM Ind ABM s	.36	2.6	21	1219	13.85	-0.05	
-61.1	39.21	8.70	AOL Time AOL		...	dd	180022	12.49	0.17	
-37.2	19.99	8.20	AT&T T	.15	1.3	...	191200	11.40	-0.66	
-24.0	58	29.80	AbbottLab ABT	.94	2.2	25	44722	42.39	0.74	
-36.6	36.65	16.60	Abercrombie A ANF		...	10	23915	16.81	-1.32	
▼ -81.9	50.80	11.06	AllmericaFNnl AFC.25		3.1	dd	33452	8.08	-3.43	
8.2	57.90	41.58	Aus&NZ Bk ANZ	2.06e	4.2	...	15	49.45	0.75	
B										
-7.5	46.85	32.72	BASF ADS BF	1.14e	3.2	...	1581	35.06	0.24	
▼ -63.2	24.10	8.77	BallyTtlFit BFT		...	3	23280	7.93	-0.92	
-8.9	42.88	28.92	BkOne ONE	.84	2.4	14	67054	35.56	-1.55	
▲ 22.4	30.62	23.25	BayVwCapl		616	30.67	0.07	
-57.2	53.75	18.50	BestBuy BYY s		...	12	35445	21.26	0.08	
-11.5	51.07	31.58	Boeing BA	.68	2.0	13	36509	34.31	-0.07	
162.2	19.20	4.01	BoydGaming BYD		...	25	8757	17.04	-0.46	
-40.2	45.30	20.85	BrasilTel ADS BRP 1.42e		5.7	...	1134	24.81	1.31	
C										
-8.0	43.50	25.51	CACI Int.A CAI s		...	31	2790	36.31	-0.18	
-25.2	111	69.20	CIGNA CI	1.32	1.9	11	9046	69.30	-2.45	
-71.1	19.56	4.30	CTS Cp CPY	.12	2.6	dd	982	4.59	-0.31	
-28.2	59.99	36.33	Caterpillar CAT	1.40	3.7	20	14217	37.49	-0.29	
39.5	7.10	3.25	CenterTr CTA	.24	4.0	22	661	5.93	0.03	

Name: _____ Date: _____

Chapter 15: Price-to-Earnings Ratio

A company's net earnings are important, of course, since the figure represents how much money a company is making. A company can borrow money when times are lean or if the business needs to expand, but over a sustained period of time, the company must have earnings in order to remain a viable business. As such, earnings represent one of the main numbers to which an investor might pay attention, when analyzing a company's stock.

One tool for looking at earnings is a company's P/E ratio (price-to-earnings ratio). Simply, this P/E figure answers the question: How expensive is this stock in regard to what this company earns? Here's how P/E works:

Per Share Price of Stock ÷ Earnings per Share (EPS) = P/E ratio (price-to-earnings ratio)

The P/E ratio is important to investors, because the higher the number, the more expensive the stock is in terms of earnings. Most healthy companies whose stock is in good demand by investors will have P/E ratios in the range of perhaps 8 to 22. While there are no hard and fast boundaries, the P/E ratio is one of several factors investors use to gauge a stock's underlying value.

Example:

The Bunker Hill Shipwrecks and Salvage Claims Corporation had earnings of \$1.88 in the previous year and expects the same for the coming year. The price of this stock is \$30 per share. What is this company's P/E ratio?

$$\mathbf{\$30 \div \$1.88 = P/E \text{ ratio, so } 15.96 = P/E \text{ ratio}}$$

Directions: Determine the P/E ratio in each of the following situations.

1. Stock price is \$40 with earnings of \$2.40. _____
2. Stock price is \$22.10 with earnings of \$2.80. _____
3. Stock price is \$7.50 with earnings of \$0.20. _____
4. Stock price is \$190 with earnings of \$8.25. _____
5. Stock price is \$3.15 with earnings of \$1.05. _____
6. Stock price is \$88.50 with earnings of \$3.65. _____
7. Stock price is \$1.40 with earnings of \$0.20. _____

Name: _____ Date: _____

Chapter 16: Another Look at Cost Basis

Directions: Answer the following questions concerning total cost and cost basis per share.

1. Jennifer bought 220 shares of a shoe retailer's stock after visiting the store and hearing favorable reports from the sales staff working there. She paid \$34.75 per share for this stock, and also paid a commission of \$60 on the purchase. What is her total cost for this stock?

2. Alan watched as the price declined on a stock he'd been following. He put in an online order and managed to get 110 shares at \$4.25. He always pays \$18 for trades made online through his broker. What is his cost basis per share for this stock purchase?

3. James was called by his broker who suggested he purchase 1,000 shares of a new company at \$22. James agreed to buy only 200 shares, in spite of his broker's persuasive arguments in favor of the new stock. Commission for this purchase was \$85. What is James's total cost for this block of stock?

4. Beth bought 200 shares of stock in a restaurant chain at \$18 per share. After eating at one of the locations, she decided to buy another 100 shares, but the price was a bit higher for this lot, \$21 per share. She paid a commission each time of \$35. What is her cost basis per share for the entire block of stock?

5. A fire was reported on a financial news channel as having wiped out the manufacturing facility of a company that makes fine glassware. Elizabeth, one of the firefighters who had fought the blaze, realized that the press had been mistaken; the blaze was only in an adjacent warehouse. So, Elizabeth called her broker and bought 1,200 shares of the glassware stock at a price of \$10.25, even though her broker tried to talk her out of making the purchase. She paid a commission of \$145 on this purchase. The next day, the stock surged back to \$16.70 after it was correctly reported that the fire had not damaged this company's manufacturing facility. What is Elizabeth's cost basis per share for this stock?

6. Carol was given 3 shares of stock as a gift by her grandfather. Each share is worth \$140. Carol paid a broker \$25 commission to register the shares in her name and add them to her brokerage account. What was her total cost basis for the shares?

Name: _____ Date: _____

Chapter 18: Stock Sales

Investors sell stocks for a variety of reasons. Many investors will sell a stock once it has reached a predetermined price point, in order to realize a profit. For instance, if a stock's price has grown to a certain level, the investor may decide it is time to sell that stock, regardless of how well the company is actually doing. Some sell decisions are based on other reasons. If a company has setbacks or fails in its business plan, the price of the stock may decline. Many investors will sell stocks at the first hint of trouble in order to preserve their investment dollars, even if it means losing part of their initial investment.

Selling stock is about as easy as buying it. People place sell orders by calling their broker or by sending the order online via computer. When a block of stock sells, the amount of money from the sale (called **total proceeds**) is transferred to the investor who sold the stock. Before this money is placed in the investor's account, commission for selling the stock is ordinarily deducted by the broker. **Profit** is any amount earned over and above the total cost of the stock, including all commissions. If total proceeds after commissions is less money than was first invested, then a **loss** has occurred.

Example:

Shawn bought 300 shares of stock at \$20 per share, paying a commission of \$29 on the purchase. When the stock was sold, the shares brought \$23 each, and the commission paid on the sale was \$29. What was Shawn's profit on this stock?

Sold 300 shares at \$23 per share, total proceeds = \$6,900

Total commissions charged, 2 x \$29 - \$ 58

Cost of stock: 300 shares at \$20 per share - \$6,000

Profit
\$ 842

If the number in our profit row had been negative, then it would represent a loss on this investment. Losses can be denoted with a pair of brackets. **Example:** < 200 >

Directions: For each of the following situations, determine the profit < or loss > in the following stock transactions.

- Gordon bought 700 shares of an oil company's stock for \$15.60 per share. He paid a commission of \$80 on this purchase. When the stock was sold only a short time later, the shares brought \$16.40 each, and he again paid an \$80 commission on the sale.

- Jane paid a commission of \$35 to sell 200 shares of stock she'd bought in an agricultural products manufacturer. The shares sold at \$17.70 each. When she bought the stock, it was only \$8 per share. At the time of purchase, she paid a \$22 commission.

Name: _____ Date: _____

Chapter 18: Stock Sales (cont.)

3. Timothy bought 525 shares of a company's stock at \$25 per share, paying a commission of \$65 on the purchase. Only a short time later, he noticed a better deal and needed to free up some money by selling the 525 shares. Timothy paid another \$65 commission on the sale, and the shares had dropped to \$24.75 per share by the time they were sold.
- _____

4. Russell spent \$10,200 to buy 1,000 shares of stock in a company. Four years later, he sold 700 of these shares at \$28 per share, paying a \$40 commission on the sale. Only a month after that, he sold the last 300 shares of this stock for \$26.50 per share, once again paying a \$40 commission.
- _____

5. Roscoe jumps in and out of stocks, trying to make fast profits. He does all of his trades online and pays a flat rate commission of \$12 per transaction. In the afternoon, he sold 75 shares of a company at \$22.10. He'd bought that stock just that morning, paying \$21.80 per share.
- _____

6. Tony was given 1,200 shares of stock in a company after his grandfather's estate was settled. His broker processed the transfer of these shares into Tony's brokerage account free of charge. Tony decided to sell this stock, placing one order per month to sell 100 shares until all shares were sold within a one-year time frame. Tony's broker charged a commission of \$75 for each of these sell transactions. The per-share prices received for the blocks of stock each month were as follows: \$55, \$54, \$54.40, \$48.50, \$49.75, \$51, \$49, \$44.80, \$41, \$40.40, \$38, \$40.25.
- _____

7. Charlotte was shocked to see that a company whose stock she'd paid \$30.80 per share for had dropped to \$21 in response to some bad news. She decided to sell the shares, and the 90 shares of stock brought \$19.75 each by the time she could get her broker on the phone to place a sell order. Commission both ways was \$38.
- _____

Name: _____ Date: _____

Chapter 18: Another Look at Stock Sales

Directions: For each of the following situations, determine the profit < or loss > in the following stock transactions.

1. Will sold a block of 200 shares of stock he'd been holding for many years. The stock sold for \$48 per share, and he paid a commission of \$35 on the sale. When he'd originally bought the stock, he only paid \$8.25 per share and a commission of \$12 on the purchase.

2. Georgina paid \$905, including the commission, for 140 shares of stock in a book publishing company. She paid a commission of \$18 to sell this stock, and \$1,215.75 was deposited into her brokerage account after the trade had settled.

3. Benjamin bought 250 shares of stock in a high tech company at \$27.75 per share, paying a commission of \$28 on the purchase. Soon after, he realized he'd done little research about this company and did not understand its products. Benjamin sold all of the shares at \$27.25, once again paying \$28 commission.

4. Sandra bought 100 shares of a company's stock for \$38 per share. She managed to sell the 100 shares for \$4.25 more per share than she'd paid. Her online commission to buy or sell a stock is always \$16.95 per trade.

5. Eric bought 300 shares of stock in a paper manufacturing company, paying a bargain price of \$6 per share and a commission of \$24. A month later, he bought another 200 shares, but the stock price had risen to \$7.50. Commission for this purchase was also \$24. Later, he sold his entire block of stock in the paper company at \$12 per share, once again paying his regular \$24 commission on the sale.

6. A group of investors pooled their money to buy the 10,000 outstanding shares in a small mining company. There were no commissions paid on this transfer; it was done directly with the owners of the stock. The investors paid their own lawyer \$1,500 to arrange the stock transfer. The price paid for the stock was \$185,000. The group of investors later sold the stock for \$220,000. Once again, their lawyer was paid to handle the legal papers, this time at a cost of \$2,000.

Name: _____ Date: _____

Using Financial Terms



Directions: Understanding financially related language is one of the biggest hurdles to learning how certain financial markets work. For this activity, use the word choices below to best complete or match each sentence. Use a dictionary or the Internet if you need help with these terms. Choices will only be used once, and some will not be used.

margin buying
investment
commission
risk
municipal bond
junk bond
treasuries

stock index
cost basis
short sell
stock
dividend
bears/bulls
P/E ratio

dollar cost averaging
day trading
diversification
interest
blue chip stock
mutual fund

1. A/an _____ is money put into a financial instrument or tangible item for the purpose of increasing the original amount of money.
2. A share of ownership in a company. _____
3. Percentage amount paid by banks or other financial institutions on monetary deposits.

4. _____ gives a figure for the overall price paid for a block of stock.
5. Special kind of bond that carries a higher interest payment since the company's credit worthiness is not highly rated. _____
6. Financial instruments issued by the U.S. government. _____
7. A/an _____ is a small payment given to the shareholder as a reward for holding a company's stock.
8. An investor who strongly favors a buy and hold strategy would find much to disagree with in this strategy. _____
9. A/an _____ is a large stock portfolio where many investors have pooled their money.
10. _____ allows investors a way to determine the per share price of stock they own, even though it may have been purchased at different price levels.

Name: _____ Date: _____

Using Financial Terms (cont.)

11. A/an _____ is a numerical method for tracking many stocks to easily gauge how a larger market is doing.

12. _____ is a strategy that calls for borrowing money against stock holdings in order to buy more stock.

13. Fee paid to a broker for handling a stock transaction. _____

14. Splitting investments into different areas to avoid the harmful effect of losses in a single area.

15. _____ is a primary factor in selecting an investment, since it determines how well the investment should pay, as well as how much threat there is to the monies invested.

16. Strategy used by an investor to make money in stocks that are in decline.

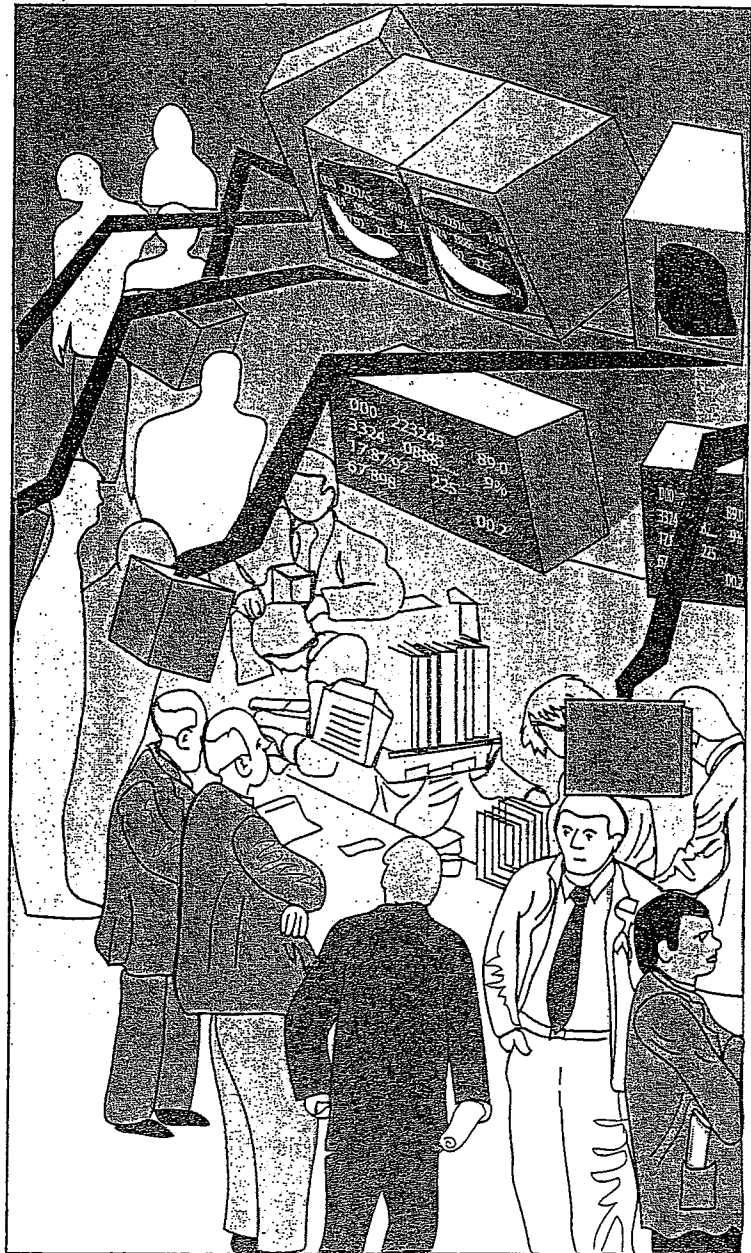


CHART I – PURCHASE 5 STOCKS

(An investor has \$100,000 nest egg to buy 5 Corporations = \$20,000 each)

www.portfoliotracker.usatoday.com

<u>Corporation</u>	(Whole Number) <u>Number of Shares</u>	(X)	(\$19,990) (/) <u>Cost per Share</u>	(=)	<u>Total Investment</u>
1. Google	28		695.25		19,467.00
2. Apple	34		586.19		19,930.46
3. McDonalds	229		87.06		19,936.74
4. Disney	405		49.29		19,962.45
5. Facebook	739		27.04		19,982.56
Total Amount Invested					<u>99,279.21</u>
Add Commission					(+) <u>50.00</u>
Total Invest Cost					<u>99,329.21</u>
Cash					(+) <u>670.79</u>
Nest Egg					<u>100,000.00</u>

CHART II – MONITOR 5 STOCKS

<u>Corporation</u>	()	()	()	()
1. Google	_____	_____	_____	_____
2. Apple	_____	_____	_____	_____
3. McDonalds	_____	_____	_____	_____
4. Disney	_____	_____	_____	_____
5. Facebook	_____	_____	_____	_____

CHART III – SELL 5 STOCKS

<u>Corporation</u>	(Same as Above) <u>Number of Shares</u>	(X)	<u>Cost per Share</u>	(=)	<u>Total Investment</u>
1. Google	28		1053.91		29,509.48
2. Apple	34		561.55		19,092.70
3. McDonalds	229		96.33		22,059.57
4. Disney	405		69.59		28,183.95
5. Facebook	739		46.59		34,430.01
Total Amount Sold					<u>133,275.71</u>
Subtract Commission					(-) <u>50.00</u>
Net Sales					<u>133,225.71</u>
Subtract Total Invest Cost (from Chart I)					(-) <u>99,329.21</u>
Total Profit/Loss					<u>33,896.50</u>
Cash					<u>670.79</u>
Net Sales					(+) <u>133,225.71</u>
New Nest Egg					<u>133,896.50</u>

Name _____
 Stock Market Contest _____

Date _____
 Period _____

CHART I – PURCHASE 5 STOCKS

(An investor has \$100,000 nest egg to buy 5 Corporations = \$20,000 each)

www.portfoliotracker.usatoday.com

<u>Corporation</u>	(Whole Number) <u>Number of Shares</u>	(X)	(\$19,990) (/) <u>Cost per Share</u>	(=)	<u>Total Investment</u>
1.	_____				_____
2.	_____				_____
3.	_____				_____
4.	_____				_____
5.	_____				_____
			Total Amount Invested		_____
			Add Commission	(+)	_____
			Total Invest Cost		_____
			Cash	(+)	_____
			Nest Egg		_____

CHART II – MONITOR 5 STOCKS

<u>Corporation</u>	(_____)	(_____)	(_____)	(_____)
1.	_____			
2.	_____			
3.	_____			
4.	_____			
5.	_____			

CHART III – SELL 5 STOCKS

(Same as Above)

<u>Corporation</u>	(Same as Above) <u>Number of Shares</u>	(X)	<u>Cost per Share</u>	(=)	<u>Total Investment</u>
1.	_____				_____
2.	_____				_____
3.	_____				_____
4.	_____				_____
5.	_____				_____
			Total Amount Sold		_____
			Subtract Commission	(-)	_____
			Net Sales		_____
			Subtract Total Invest Cost (from Chart I)	(-)	_____
			Total Profit/Loss		_____
			Cash		_____
			Net Sales	(+)	_____
			New Nest Egg		_____

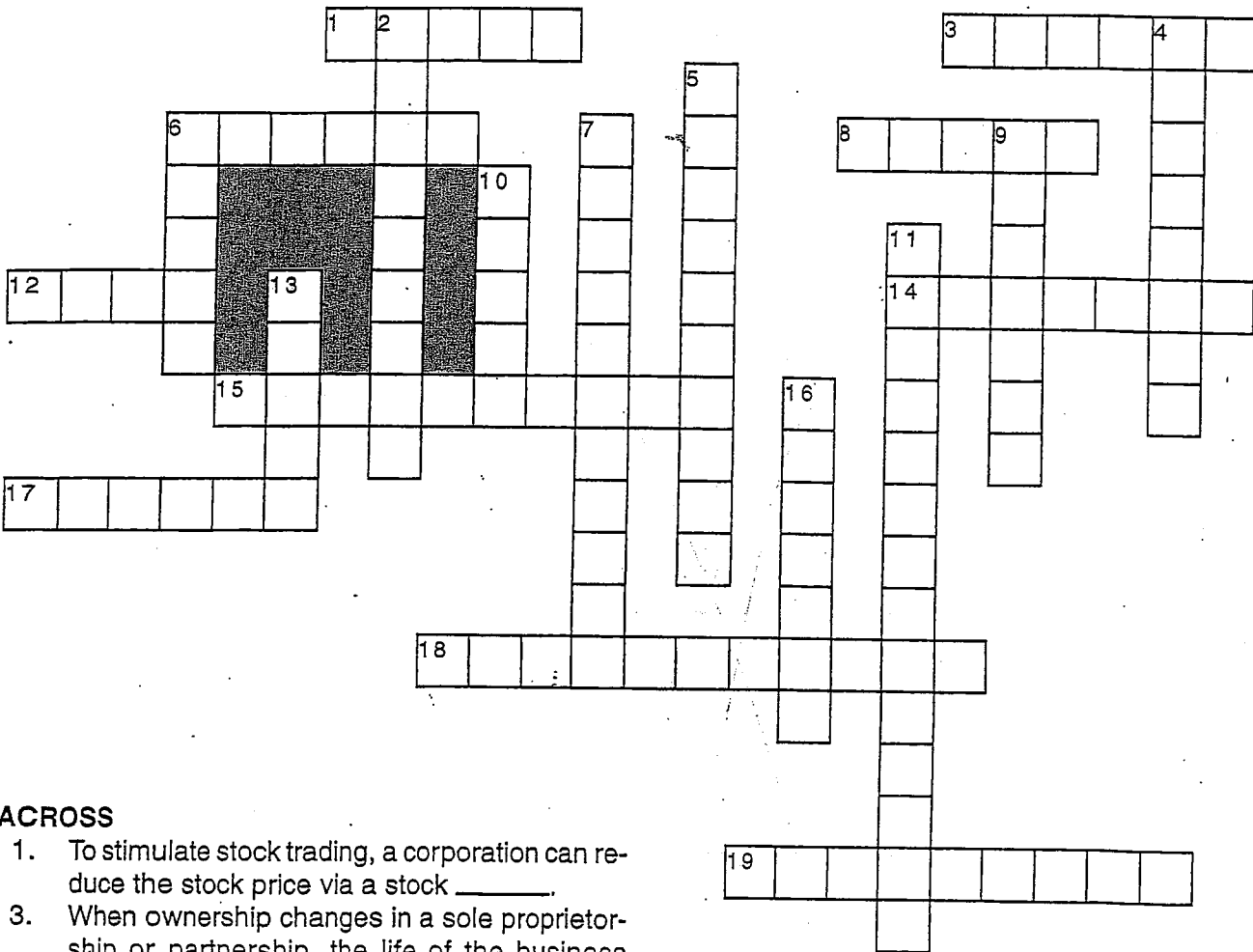
Word Bank

Bonds
Dividends
Investment
Partnership
Returns

Ceases
Exchange
Losses
Preferred
Same

Control
First
Market
Profits
Split

Corporations
Guaranteed
Money
Proprietorship
Stock



ACROSS

1. To stimulate stock trading, a corporation can reduce the stock price via a stock _____.
3. When ownership changes in a sole proprietorship or partnership, the life of the business _____.
6. When a stock splits, the total _____ value remains the same.
8. Ownership of a corporation comes in the form of transferable units known as shares of _____.
12. A disadvantage of preferred stock is that when profits increase, dividends remain the _____.
14. Traditional stocks have produced better _____ than other investments.
15. A benefit of being a stockholder is that your losses are limited to your _____.
17. In a sole proprietorship, the owner is subject to unlimited _____.
18. A business entity where hundreds or thousands of owners share the profits is called a _____.
19. Investors buy stock with the hope they will earn _____.

DOWN

2. Two basic types of stock are common and _____.
4. The place where stock transactions take place is called the stock _____.
5. The dividend of preferred stock is _____.
6. Corporations issue stock to raise _____.
7. A business entity where a few owners share the profits is called _____.
9. When corporations sell stock, they give up some managerial _____.
10. Dividends on preferred stock are paid _____.
11. A business entity where only one owner receives the profits is called a sole _____.
13. Americans invest more in _____ than in other investments.
16. Corporate dividends are part of the business's _____.